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Release Date 8-22-01

**MADISON PARISH HOSPITAL SERVICE DISTRICT
TALLULAH, LOUISIANA**

Financial Statements, Internal Control, and Compliance

Year Ended December 31, 2000

with

Independent Auditor's Reports

**MADISON PARISH HOSPITAL SERVICE DISTRICT
TALLULAH, LOUISIANA
FINANCIAL STATEMENTS, INTERNAL CONTROL, AND COMPLIANCE
YEAR ENDED DECEMBER 31, 2000**

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FINANCIAL STATEMENTS



INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Board of Commissioners
Madison Parish Hospital Service District
Tallulah, Louisiana

We have audited the accompanying general purpose financial statements of Madison Parish Hospital Service District, Tallulah, Louisiana, a component unit of Madison Parish Police Jury as of and for the year ended December 31, 2000, as listed in the table of contents. These general purpose financial statements are the responsibility of Madison Parish Hospital Service District, Tallulah, Louisiana's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Madison Parish Hospital Service District, Tallulah, Louisiana as of December 31, 2000, and the results of its operations and cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 2, 2001, on our consideration of Madison Parish Hospital Service District, Tallulah, Louisiana's internal control over financial reporting and our tests on its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Vicksburg, Mississippi
May 2, 2001

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

110 MONUMENT PLACE • POST OFFICE BOX 821568 • VICKSBURG, MISSISSIPPI 39182-1568 • TELEPHONE (601) 636-4762 • FAX (601) 636-9476

email: info@maycpa.com • website: www.maycpa.com

**MADISON PARISH HOSPITAL SERVICE DISTRICT
TALLULAH, LOUISIANA
COMBINED BALANCE SHEET-ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Capital Project</u>	<u>Debt Service</u>
<u>ASSETS</u>			
Cash	\$ 1,051,012	\$ 4,100	\$ 328,274
Receivables	598,148	0	0
Due from health intermediary	0	0	0
Inventory	0	0	0
Land	0	0	0
Buildings and improvements	0	0	0
Furniture and equipment	0	0	0
Reserve for depreciation	0	0	0
Amount available in debt service fund	0	0	0
Amount to be provided for retirement of general long-term debt	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL ASSETS	<u>\$ 1,649,160</u>	<u>\$ 4,100</u>	<u>\$ 328,274</u>
<u>LIABILITIES AND FUND EQUITY</u>			
LIABILITIES:			
Accounts payable	\$ 33,678	\$ 0	\$ 0
Accrued expenses	0	0	0
Deferred revenue	36,636	0	0
Due to health intermediary	0	0	0
General obligation bonds payable	<u>0</u>	<u>0</u>	<u>0</u>
Total liabilities	<u>70,314</u>	<u>0</u>	<u>0</u>
FUND EQUITY:			
Retained earnings	0	0	0
Investment in general fixed assets	0	0	0
Fund balances:			
Reserved for debt service	0	0	328,274
Unreserved and undesignated	<u>1,578,846</u>	<u>4,100</u>	<u>0</u>
Total fund equity	<u>1,578,846</u>	<u>4,100</u>	<u>328,274</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 1,649,160</u>	<u>\$ 4,100</u>	<u>\$ 328,274</u>

See accompanying notes to the financial statements.

Proprietary Fund	Account Groups		Total
Enterprise Fund	General Fixed Assets	General Long-term Debt	(Memorandum Only)
\$ 242,358	\$ 0	\$ 0	\$ 1,625,744
778,381	0	0	1,376,529
142,368	0	0	142,368
140,965	0	0	140,965
0	61,000	0	61,000
18,000	3,441,770	0	3,459,770
636,510	1,242,323	0	1,878,833
(451,805)	0	0	(451,805)
0	0	328,274	328,274
0	0	(63,274)	(63,274)
\$ 1,506,777	\$ 4,745,093	\$ 265,000	\$ 8,498,404
\$ 697,118	\$ 0	\$ 0	\$ 730,796
168,252	0	0	168,252
0	0	0	36,636
60,831	0	0	60,831
0	0	265,000	265,000
926,201	0	265,000	1,261,515
\$ 580,576	\$ 0	\$ 0	\$ 580,576
0	4,745,093	0	4,745,093
0	0	0	328,274
0	0	0	1,582,946
580,576		0	7,236,889
\$ 1,506,777	\$ 4,745,093	\$ 265,000	\$ 8,498,404

**MADISON PARISH HOSPITAL SERVICE DISTRICT
TALLULAH, LOUISIANA
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES-ALL GOVERNMENTAL FUND TYPES
YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>			<u>Total</u>
	<u>General</u>	<u>Capital Project</u>	<u>Debt Service</u>	<u>(Memorandum Only)</u>
REVENUES:				
Taxes:				
Ad valorem taxes	\$ 536,608	\$ 0	\$ 11,050	\$ 547,658
Sales taxes	439,000	0	0	439,000
Intergovernmental revenues:				
Federal funds:				
Appropriation from Madison Parish Police Jury	6,129	0	0	6,129
State funds:				
State revenue sharing	16,018	0	0	16,018
Interest	63,217	249	22,454	85,920
Miscellaneous	<u>5,200</u>	<u>0</u>	<u>0</u>	<u>5,200</u>
Total revenues	<u>1,066,172</u>	<u>249</u>	<u>33,504</u>	<u>1,099,925</u>
EXPENDITURES:				
Current:				
General government	132,582	0	0	132,582
Health and welfare	7,138	0	0	7,138
Debt service:				
Principal retirement	0	0	325,000	325,000
Interest and fiscal charges	<u>0</u>	<u>0</u>	<u>26,770</u>	<u>26,770</u>
Total expenditures	<u>139,720</u>	<u>0</u>	<u>351,770</u>	<u>491,490</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>926,452</u>	<u>249</u>	<u>(318,266)</u>	<u>608,435</u>

Continued

**MADISON PARISH HOSPITAL SERVICE DISTRICT
TALLULAH, LOUISIANA
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES-ALL GOVERNMENTAL FUND TYPES - CONTINUED
YEAR ENDED DECEMBER 31, 2000**

	<u>Governmental Fund Types</u>			<u>Total</u>
	<u>General</u>	<u>Capital Project</u>	<u>Debt Service</u>	<u>(Memorandum Only)</u>
OTHER FINANCING SOURCES AND (USES):				
Transfers out	<u>(500,000)</u>	<u>0</u>	<u>0</u>	<u>(500,000)</u>
Total other financing sources and (uses)	<u>(500,000)</u>	<u>0</u>	<u>0</u>	<u>(500,000)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	426,452	249	(318,266)	108,435
FUND BALANCES, January 1, 2000	<u>1,152,394</u>	<u>3,851</u>	<u>646,540</u>	<u>1,802,785</u>
FUND BALANCES, December 31, 2000	<u>\$ 1,578,846</u>	<u>\$ 4,100</u>	<u>\$ 328,274</u>	<u>\$ 1,911,220</u>

See accompanying notes to the financial statements.

**MADISON PARISH HOSPITAL SERVICE DISTRICT
TALLULAH, LOUISIANA
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE-BUDGET AND ACTUAL (NON-GAAP BASIS)-GENERAL FUND
YEAR ENDED DECEMBER 31, 2000**

	<u>General Fund</u>		<u>Variance</u>
	<u>Budget</u>	<u>Actual</u>	<u>Favorable</u> <u>(Unfavorable)</u>
REVENUES:			
Taxes			
Ad valorem taxes	\$ 135,000	\$ 183,294	\$ 48,294
Sales taxes	398,000	445,454	47,454
Intergovernmental revenues:			
Federal funds:			
Appropriation from Madison Parish Police Jury	6,500	6,129	(371)
State funds:			
State revenue sharing	16,600	16,107	(493)
Interest	28,900	62,697	33,797
Miscellaneous	<u>0</u>	<u>5,200</u>	<u>5,200</u>
Total revenues	<u>585,000</u>	<u>718,881</u>	<u>133,881</u>
EXPENDITURES:			
Current operating:			
General government	181,027	62,871	118,156
Health and welfare	165,000	7,138	157,862
Capital outlay	110,000	0	110,000
Debt service	<u>1</u>	<u>0</u>	<u>1</u>
Total expenditures	<u>456,028</u>	<u>70,009</u>	<u>386,019</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>128,972</u>	<u>648,872</u>	<u>519,900</u>
OTHER FINANCING SOURCES AND (USES):			
Transfers out	<u>(800,000)</u>	<u>(500,000)</u>	<u>300,000</u>
Total other financing sources and (uses)	<u>(800,000)</u>	<u>(500,000)</u>	<u>300,000</u>

Continued

**MADISON PARISH HOSPITAL SERVICE DISTRICT
TALLULAH, LOUISIANA
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE-BUDGET AND ACTUAL (NON-GAAP BASIS)-GENERAL FUND-
CONTINUED
YEAR ENDED DECEMBER 31, 2000**

	<u>General Fund</u>		<u>Variance</u>
	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	\$ (671,028)	148,872	\$ 819,900
FUND BALANCE, January 1, 2000		<u>1,152,394</u>	
FUND BALANCE (NON-GAAP), December 31, 2000		1,301,266	
ADJUSTMENT TO GAAP BASIS:			
Change in receivables		368,542	
Change in prepaid items		(42,214)	
Change in deferred revenue		(21,251)	
Change in accounts payable		<u>(27,497)</u>	
FUND BALANCE (GAAP), December 31, 2000		<u>\$ 1,578,846</u>	

See accompanying notes to the financial statements.

**MADISON PARISH HOSPITAL SERVICE DISTRICT
TALLULAH, LOUISIANA
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE-BUDGET AND ACTUAL (NON-GAAP BASIS)-
CAPITAL PROJECT FUND
YEAR ENDED DECEMBER 31, 2000**

	<u>Capital Project Fund</u>		<u>Variance</u>
	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
REVENUES:			
Interest	\$ 150	\$ 249	\$ 99
Total revenues	150	249	99
EXPENDITURES:			
Capital outlay	5,000	0	5,000
Total expenditures	5,000	0	5,000
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(4,850)	249	5,099
OTHER FINANCING SOURCES:			
Transfers in	0	0	0
Total other financing sources	0	0	0
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	\$ (4,850)	249	\$ 5,099
FUND BALANCE, January 1, 2000		3,851	
FUND BALANCE, December 31, 2000		\$ 4,100	
ADJUSTMENT TO GAAP BASIS:			
NONE			

See accompanying notes to the financial statements.

**MADISON PARISH HOSPITAL SERVICE DISTRICT
TALLULAH, LOUISIANA
COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE-BUDGET AND ACTUAL (NON-GAAP BASIS)-
DEBT SERVICE FUND
YEAR ENDED DECEMBER 31, 2000**

	<u>Debt Service Fund</u>		<u>Variance</u>
	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
REVENUES:			
Taxes:			
Ad valorem taxes	\$ 196,496	\$ 207,898	\$ 11,402
Interest	<u>6,000</u>	<u>22,568</u>	<u>16,568</u>
Total revenues	<u>202,496</u>	<u>230,466</u>	<u>27,970</u>
EXPENDITURES:			
Current operating:			
General government	11,000	7,621	3,379
Debt service	<u>351,770</u>	<u>351,770</u>	<u>0</u>
Total expenditures	<u>362,770</u>	<u>359,391</u>	<u>3,379</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (160,274)</u>	<u>(128,925)</u>	<u>\$ 31,349</u>
FUND BALANCE, January 1, 2000		<u>646,540</u>	
FUND BALANCE (NON-GAAP), December 31, 2000		517,615	
ADJUSTMENT TO GAAP BASIS:			
Change in receivable		(203,745)	
Change in accounts payable		7,621	
Change in deferred revenue		<u>6,783</u>	
FUND BALANCE (GAAP), December 31, 2000		<u>\$ 328,274</u>	

See accompanying notes to the financial statements.

**MADISON PARISH HOSPITAL SERVICE DISTRICT
TALLULAH, LOUISIANA
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED
EARNINGS – ALL PROPRIETARY FUND TYPES
YEAR ENDED DECEMBER 31, 2000**

	Proprietary Fund Enterprise Fund
OPERATING REVENUES:	
Patient services	\$ 9,263,673
Contractual adjustments and bad debts	(4,204,183)
Total patient services, net	5,059,490
Miscellaneous income	45,460
Total operating revenues	5,104,950
OPERATING EXPENSES:	
Salaries and employee benefits	3,501,302
Professional and contractual fees	1,354,142
Supplies and other expenses	1,247,248
Depreciation	80,435
Total operating expenses	6,183,127
Net operating loss	(1,078,177)
NON-OPERATING REVENUES (EXPENSES):	
Interest income	22,113
Loss on disposal of assets	(22,994)
Interest expense	(4,075)
Total non-operating revenue (expenses)	(4,956)
Loss before operating transfers	(1,083,133)
OPERATING TRANSFERS IN:	500,000
Net loss	(583,133)
FUND BALANCE, January 1, 2000	1,163,709
FUND BALANCE, December 31, 2000	\$ 580,576

See accompanying notes to the financial statements

**MADISON PARISH HOSPITAL SERVICE DISTRICT
TALLULAH, LOUISIANA
COMBINED STATEMENT OF CASH FLOWS-
ALL PROPRIETARY FUND TYPES
YEAR ENDED DECEMBER 31, 2000**

	Proprietary Fund Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Net operating loss	\$ (1,078,177)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	80,435
Changes in assets and liabilities:	
Decrease in accounts receivable	(52,577)
Decrease in due from health intermediary	341,820
Increase in inventory	(20,488)
Decrease in prepaid expenses	32,096
Increase in accounts payable	(201,036)
Increase in accrued expenses	13,968
Decrease in due to health intermediary	30,192
Net cash used in operating activities	(853,767)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Operating transfers	500,000
Net cash provided by noncapital financing activities	500,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Purchase of furniture and equipment	(29,723)
Interest paid	(4,075)
Net cash used in capital and related financing activities	(33,798)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest earned	22,113
Net cash provided by investing activities	22,113

Continued

**MADISON PARISH HOSPITAL SERVICE DISTRICT
TALLULAH, LOUISIANA
COMBINED STATEMENT OF CASH FLOWS - CONTINUED-
ALL PROPRIETARY FUND TYPES
YEAR ENDED DECEMBER 31, 2000**

Net decrease in cash	(365,452)
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CASH, beginning of year	<u>607,810</u>
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CASH, end of year	<u>242,358</u>
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Non cash transactions

Loss on disposal of obsolete equipment \$22,994.

See accompanying notes to the financial statements

**MADISON PARISH HOSPITAL SERVICE DISTRICT
TALLULAH, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2000**

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Madison Parish Hospital Service District, Tallulah, Louisiana (the Service District) was created by the Police Jury of Madison Parish, Louisiana of which it is a component unit. It was created under the provisions of Subsection d-2 of Section 14 Article XIV. The Service District provides hospital facilities for the public. The Service District also services debt incurred by the hospital for major construction through ad valorem tax levies.

The accounting and reporting policies of the Madison Parish Hospital Service District, Tallulah, Louisiana conform to generally accepted accounting principles as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing Governmental Accounting and Financial Reporting Principles. As allowed in Section P80 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, the Service District has elected not to apply to its proprietary activities Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinion, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989. The following is a summary of the significant policies:

1. Financial Reporting Entity

As the governing authority of the parish for reporting purposes, the Madison Parish Police Jury is the financial reporting entity for Madison Parish. The financial reporting entity consists of (a) the primary government (police jury), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board Statement No. 14 established criteria for determining which component units should be considered part of the Madison Parish Police Jury for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes:

- a. Appointing a voting majority of an organization's governing body, and:
 - (1) the ability of the police jury to impose its will on that organization, and/or
 - (2) the potential for the organization to provide specific financial benefits to or impose specific financial burdens on the police jury.

**MADISON PARISH HOSPITAL SERVICE DISTRICT
TALLULAH, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED DECEMBER 31, 2000**

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

1. Financial Reporting Entity - Continued

- b. Organizations for which the police jury does not appoint a voting majority, but are fiscally dependent on the police jury.
- c. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Because the police jury appoints the voting majority of the Service District and has the ability to impose its will on the Service District, the Service District was determined to be a component unit of the Madison Parish Police Jury, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the Service District and do not present information on the police jury, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

2. Basis of Presentation

The accounts of the Service District are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues, and expenditures. The Service District's revenues are accounted for in these individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The funds presented in the financial statements are described as follows:

**MADISON PARISH HOSPITAL SERVICE DISTRICT
TALLULAH, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED DECEMBER 31, 2000**

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

2. Basis of Presentation - Continued

Governmental Funds

General Fund: The General Fund is the general operating fund of the Service District. It is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund: The Debt Service Fund is used to account for the accumulation of financial resources for the payment of general long-term principal, interest, and related costs. The fund balance of Debt Service Fund is reserved to signify the amounts are that are restricted exclusively for debt service expenditures.

Capital Projects Fund: The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Proprietary Fund

Enterprise Fund: The Enterprise Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises. The intent of the enterprise fund is that costs of providing the goods or services to the general public on a continuing basis will be financed or recovered through user charges.

Account Groups

An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable, available financial resources. There are two account groups that meet this definition. The two account groups are not "funds". They are concerned only with the measurement of financial position, not with the measurement of results of operations.

**MADISON PARISH HOSPITAL SERVICE DISTRICT
TALLULAH, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED DECEMBER 31, 2000**

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2. Basis of Presentation - Continued

General Fixed Assets Account Group: This account group is established to account for all fixed assets of the Service District, other than those assets accounted for in the Proprietary Fund. Capital outlay in funds other than Proprietary Funds are recorded as expenditures of those funds at the time of purchase and are subsequently recorded for control purposes in the General Fixed Assets Account Group.

General Long Term Debt Account Group: This account group is established to account for all of the Service District's long term debt that will be financed from general governmental resources. Long term liabilities of Proprietary funds are accounted for in those funds.

3. Measurement Focus/Basis of Accounting

The financial and reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included in the balance sheet. Operating statements for these funds present increases and decreases in net current assets.

The Service District's records are maintained on a cash basis of accounting. However, the governmental funds reported in the accompanying financial statements have been converted to a modified accrual basis of accounting. Revenues are recognized in the accounting period when susceptible to accrual (i.e., when they become both available and measurable). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Ad valorem taxes, which are measurable as the levies are made, are reflected as deferred revenue until they become available. Taxpayer-assessed sales taxes are considered "measurable" when in the hands of collecting governments and are recognized as revenue at that time. Interest earnings are recorded when the time deposits have matured and the income is available. All other Governmental Fund Type revenues are recognized when received.

**MADISON PARISH HOSPITAL SERVICE DISTRICT
TALLULAH, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED DECEMBER 31, 2000**

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3. Measurement Focus/Basis of Accounting -- Continued

Expenditures are generally recognized under the modified accrual basis of accounting in the accounting period in which the fund liability is incurred, if measurable. Exceptions to this general rule include: (1) accumulated unpaid vacation which are recorded when payable from current available financial resources; and (2) principal and interest on general long term debt which is recognized when due or when amounts have been accumulated in the Debt Service Fund for payments to be made early in the following year.

All propriety funds are accounted for on an economic resources measurement focus using the accrual basis of accounting. Revenues are recorded when they are earned, and their expenses are recorded at the time liabilities are incurred.

Other financing sources (uses) represent transfers between funds that are not expected to be repaid.

4. Budgetary Practices

The Service District utilizes the following budgetary practices:

- a) The Service District budgets its general, capital projects, and debt service funds.
- b) Budgets are prepared on the cash basis of accounting.
- c) Expenditures can legally exceed appropriations. Formal budgetary integration is employed as a management control device during the year.
- d) Prior to adoption of the annual budgets, public hearings are advertised and held. In a public hearing, the projected budget is adopted and then published. The Service District then votes to adopt the finalized budget.
- e) Amendments to the annual budgets were voted on and adopted by the Service District in regularly scheduled meetings.
- f) Budget appropriations lapse at year end.

The Service District does not utilize encumbrance accounting.

Continued

**MADISON PARISH HOSPITAL SERVICE DISTRICT
TALLULAH, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED DECEMBER 31, 2000**

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

5. Cash

Cash includes amounts in demand deposits, interest bearing demand deposits and time deposits. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the Service District may deposit funds in demand deposits, interest bearing deposits, money market accounts, or time deposits with state banks organized under Louisiana law or of any state of the United States, or under the laws of the United States.

6. Receivables

Receivables are stated at the full value of charges incurred by the patient. An allowance has been provided for the estimated uncollectible accounts and for third-party contractual adjustments at year end. Receivables are written off as the accounts are determined to be uncollectible.

7. Inventory

Inventories represent medical and dietary supplies on hand and are valued at the latest invoice price, which approximates the lower of cost (first-in, first-out method) or market.

8. Prepaid Items

Prepaid expenses are amortized on a straight-line basis over the period of the respective items. The prepaid items consists mainly of insurance premiums.

9. Property, Plant and Equipment

General Fixed Assets Account Groups

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, and are recorded as expenditures in the governmental fund types when purchased. Public domain or infrastructures are not capitalized as these assets are immovable and of value only to the Service District. Interest costs incurred during construction are not capitalized. No depreciation has been provided on general fixed assets. All fixed assets are valued at historical cost.

Continued.

**MADISON PARISH HOSPITAL SERVICE DISTRICT
TALLULAH, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED DECEMBER 31, 2000**

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Proprietary Fund Types

The fixed assets in the proprietary fund are recorded at cost and depreciated using the straight-line method over their estimated useful lives. Repairs and maintenance are recorded as expenses; renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant and equipment in the proprietary fund.

10. Patient Services

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangement includes prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

The hospital participates in the Medicare and Medicaid programs as a provider of medical services to program beneficiaries. In 2000, approximately 85% of the Hospital's patient revenues were generated by services furnished to Medicare and Medicaid program beneficiaries. The Hospital is reimbursed for cost reimbursable items at tentative rates with final settlement determined after submission of annual costs reports by the Hospital and audits thereof by the Medicare/Medicaid fiscal intermediary.

11. Bad Debts

Uncollectible amounts due for ad valorem taxes are recognized as bad debts through the establishment of any allowance account at the time information becomes available which would indicate the uncollectability of the particular receivable.

12. Compensated Absences

Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrued to employees. No liability is recorded for non-vesting accumulated rights to receive sick pay benefits.

Continued

**MADISON PARISH HOSPITAL SERVICE DISTRICT
TALLULAH, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED DECEMBER 31, 2000**

NOTE A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

13. Fund Equity

Reserves: Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use.

14. Total Columns on Combined Statements-Overview

Total columns of the statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE B. RECEIVABLES

The receivables of the Service District are as follows:

	<u>General Fund</u>	<u>Enterprise Fund</u>	<u>Total</u>
Taxes:			
Ad valorem	\$ 514,230	\$ 0	\$ 514,230
Sales	67,479	0	67,479
Other governments	15,841	0	15,841
Patient receivables	0	5,213,133	5,213,133
Allowance and contractals	0	(4,434,752)	(4,434,752)
Interest	<u>598</u>	<u>0</u>	<u>598</u>
	<u>\$ 598,148</u>	<u>\$ 778,381</u>	<u>\$1,376,529</u>

Continued

**MADISON PARISH HOSPITAL SERVICE DISTRICT
TALLULAH, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED DECEMBER 31, 2000**

NOTE C. CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets is as follows:

	Balance at January 1, 2000	Additions	Retirements	Balance at December 31, 2000
Land	\$ 61,000	\$ 0	\$ 0	\$ 61,000
Buildings and improvements	3,441,770	0	0	3,441,770
Furniture and equipment	<u>1,242,323</u>	<u>0</u>	<u>0</u>	<u>1,242,323</u>
	<u>\$ 4,745,093</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 4,745,093</u>

NOTE D. CHANGES IN GENERAL LONG-TERM DEBT

The detail of long-term debt transactions for the year ended December 31, 2000, is as follows:

Description of Debt	Balance at January 1, 2000	Additions	Retirements	Balance at December 31, 2000
General obligation refunding bonds, Series 1991 Interest rate: 5.8 - 6.3% Duc: 3/01/01	<u>\$ 590,000</u>	<u>\$ 0</u>	<u>\$ 325,000</u>	<u>\$ 265,000</u>
	<u>\$ 590,000</u>	<u>\$ 0</u>	<u>\$ 325,000</u>	<u>\$ 265,000</u>

The bond issues were made to fund an addition and major renovations to the hospital. In prior years, a parish-wide advalorem tax has been levied to repay the bonds.

Continued

**MADISON PARISH HOSPITAL SERVICE DISTRICT
TALLULAH, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED DECEMBER 31, 2000**

NOTE D. CHANGES IN GENERAL LONG-TERM DEBT – CONTINUED

The bonds are due in total, by years, as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2001	265,000	8,348	273,348
	\$ 265,000	\$ 8,348	\$ 273,348

NOTE E. AD VALOREM TAXES

Parish-wide ad valorem taxes were levied for 2000 as follows:

Hospital maintenance	13.11 mills
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Ad valorem taxes are budgeted in the year following assessments. Ad valorem taxes, which attach as an enforceable lien on property as of January 1st, are levied in September or October, become due on November 15th of each year, and become delinquent on January 1st of the following year. The taxes are generally collected in December of the current year and January and February of the following year.

NOTE F. COMPENSATION PAID TO BOARD COMMISSIONERS

The compensation paid to the board commissioners consists of the following:

<u>Commissioner</u>	<u>Number of Meetings Attended</u>	<u>Annual Compensation</u>
L. H. Harris	4	\$ 160
Myrtle Wyche	11	440
I. W. Jackson	12	480
Johnny Wilkins	5	200
Thomas Williams	4	160
Haywood Fair	1	40
Dr. Abdul Bahro	1	40
LeRoy Smith, Jr	6	40
		<u>\$ 1,760</u>

Continued

**MADISON PARISH HOSPITAL SERVICE DISTRICT
TALLULAH, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED DECEMBER 31, 2000**

NOTE G. LEASES

Operating Leases

During 1999, the Service District entered into a lease with a medical doctor for utilization of an office building the Service District owns. This operating lease is for a term of five years, terminating in July 2004. The services, which will include emergency medical care and other services to the hospital rendered by the medical doctor, shall be in lieu of rent payment.

The Service District leases an apartment, which house ambulance attendants, under a cancelable operating lease expiring in 2002. This lease provides two renewal options of two year extensions. Annual lease payments will be \$3,600. The District expensed \$3,600 in 2000 under this lease.

NOTE H. CASH

Under state law, cash deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must, at all times, equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At December 31, 2000, the Service District has \$1,650,053 in deposits (collected bank balances). These deposits are secured from risk by \$100,000 of federal deposit insurance and \$2,601,248 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3).

NOTE I. CONTINGENCIES

Litigation

The Service District is a party to three lawsuits. These lawsuits consist of a workers' compensation claim, a personal injury claim, and a suit relative to a pharmacy contract. The workers' compensation claim and personal injury claim, based on legal counsel, are covered by insurance. The suit relative to a pharmacy contract is for an amount in excess of \$1,000,000 and at this time legal counsel cannot predict the outcome. Consequently, no liability for an unfavorable outcome in this lawsuit has been recorded.

**MADISON PARISH HOSPITAL SERVICE DISTRICT
TALLULAH, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED DECEMBER 31, 2000**

NOTE M. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

Financial information by enterprise fund as of and for the year ended December 31 2000 follows:

Property, plant and equipment:	
Additions	29,723
Net working capital	377,871

SCHEDULES

**MADISON PARISH HOSPITAL SERVICE DISTRICT
TALLULAH, LOUISIANA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2000**

<u>Ref No.</u>	<u>Fiscal Year Finding Initially Occurred</u>	<u>Description of Finding</u>	<u>Corrective Action Taken</u>	<u>Planned Corrective Action/Partial Corrective Action Taken</u>
Section I - Internal Control and Compliance Material to the Financial Statements:				
99-1	Since Inception	Lack of segregation of duties	No	Sec 00-1
99-2	1999	General ledger account reconciliations	Yes	Reconciled monthly
Section II - Internal Control and Compliance Material to Federal Awards:				
		None		
Section III - Management Letter:				
	1999	Fixed Assets Outdated Items	Yes	Updated listing
	1999	Payroll withholdings Authorizations	Yes	Updated files
	1999	Original leases centralized	Yes	Centralized in Administration
	1999	Accounting manual	No	In process of scheduling an outside firm
	1999	Unused Vacation hours	No	Seeking legal opinion from state

INTERNAL CONTROL AND COMPLIANCE



WE BRING EXCELLENCE AND INNOVATION TO THE EQUATION

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Board of Commissioners
Madison Parish Hospital Service District
Tallulah, Louisiana

We have audited the general purpose financial statements of Madison Parish Hospital Service District, Tallulah, Louisiana, a component unit of Madison Parish Police Jury, as of and for the year ended December 31, 2000, and have issued our report thereon dated May 2, 2001. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Madison Parish Hospital Service District, Tallulah, Louisiana's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Madison Parish Hospital Service District, Tallulah, Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting.

Board of Commissioners
Madison Parish Hospital Service District

Page Two

However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Madison Parish Hospital Service District, Tallulah, Louisiana's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 00-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness. We also noted other matters involving the internal control over financial reporting that we have reported to management of Madison Parish Hospital Service District in a separate letter dated May 2, 2001.

This report is intended solely for the information and use of the management of the Madison Parish Hospital Service District, Tallulah, Louisiana and the Louisiana Legislative Auditor's office and is not intended to be and should not be used by anyone other than these specified parties.

May & Company

Vicksburg, Mississippi
May 2, 2001

**MADISON PARISH HOSPITAL SERVICE DISTRICT
TALLULAH, LOUISIANA
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2000**

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the general purpose financial statements of Madison Parish Hospital Service District.
2. One reportable conditions disclosed during the audit of the financial statements are reported in the Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. None were reported as a material weakness.
3. No instances of noncompliance material to the financial statements of Madison Parish Hospital Service District were disclosed during the audit.
4. No federal awards in year under audit.
5. A management letter was issued.

B. FINDINGS—FINANCIAL STATEMENT AUDIT

Reportable Conditions

00-1 Segregation of Duties

Condition: Presently, all accounting functions for the governmental funds are performed by the office bookkeeper, which limits segregation of duties.

Criteria: Accounting procedures should be in place that allow management to record, process and summarize financial information in a manner consistent with management's intentions.

Effect: Management is not able to have reasonable assurance that all transactions are completely and accurately recorded on the District's general ledger.

Recommendation: The Board of Commissioners should continue to approve all invoices and contracts as well as require dual signatures on checks. A commissioner should routinely receive the bank statement directly from the bank and review its contents for any deviations from board approved disbursements and receipts.

**MADISON PARISH HOSPITAL SERVICE DISTRICT
TALLULAH, LOUISIANA
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2000**

Compliance

None

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

MADISON PARISH HOSPITAL SERVICE DISTRICT

LETTER TO MANAGEMENT

May 2, 2001

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date

LETTER TO MANAGEMENT

Madison Parish Hospital Service District
Tallulah, Louisiana

In planning and performing our audit of the financial statements of Madison Parish Hospital Service District for the year ended December 31, 2000, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The following paragraphs summarize our comments and suggestions regarding those matters. We previously reported on the District's internal control in our report dated May 2, 2001. A separate report dated May 2, 2001 contains our report on reportable conditions in the District's internal control. This letter does not affect our report dated May 2, 2001, on the financial statements of Madison Parish Hospital Service District.

Petty Cash Counts

The existing system of handling petty cash transactions needs to be reviewed to make sure that the proper recording of expenses or for control over the petty cash balance.

To provide for proper control and recording of petty cash, we recommend that an imprest system be established. Under such a system, the amount of cash in the petty cash fund should be adequate to handle all petty cash transactions for a short period of time, but the balance should not be excessive.

The fund should be reimbursed periodically with a check made payable to the petty cash custodian, who should be the sole controller of the account. Proper expense accounts should be charges as reimbursements are made. In addition, restrictions should be set with regard to the type and amount of transactions that can be handled through the petty cash fund. All disbursements should be approved by an authorized person and supported by petty cash vouchers indicating the proper account distribution. To prevent possible reuse, petty cash vouchers and supportive documents should be canceled by stamping as paid. Once the system is set up, it will take the petty cash custodian very little extra time to follow.

Madison Parish Hospital Service District
Tallulah, Louisiana

Unused Vacation Hours

Per review of personnel policy adopted in 1999, the policy is unclear as to whether employees' carryover unused vacation hours from the Association will be grandfathered in under the present policy. The result is the potential for misunderstandings and conflicts with current and terminating employees about the extent of their vacation benefits and difficulty in properly accounting for compensated absences in the financial statements.

*It is recommended that the Board **continue the process** of obtaining the legal advice in regards to this employment issue. In addition, the District might find it desirable to periodically communicate to employees the status of their "vacation account." That would allow employees to better plan their vacations and to take advantage of their accrued vacation benefits in a manner most fair to themselves and the District, and it would allow any misunderstandings to be identified and resolved.*

Patient Receivables

In reviewing the detail of the financial class summary reports, it was noted that the contractual adjustments were not netting with the gross amount billed; thereby inflating our patient receivable balances. Our audit work also disclosed that the patient accounts receivable balance includes an excessive amount of past due balances.

It is recommend that the District consult with the computer department to see if there is a possibility that the financial status report or other report is able to be generated by the computer to show the balance owed by the patient after all contractual insurance adjustments have been recorded. Such a report would allow the collection department to work on accounts over 90 days old. Failure to collect receivables promptly creates hidden expenses in that cash flow is reduced and receivables must be subsidized by other sources (i.e., transfers from the Service District's General fund). Also the older a balance gets, the more difficult it is to collect.

Cafeteria Benefits

As a result of our reconciliation process of payroll to Form 941, it was noted that the general ledger accounts titled "Salaries" are net of the benefits that the employee is allocating to the cafeteria plan. The cafeteria plan amounts are coded to a general ledger account titled "Employee Benefits". Presently, the District is only offering employer paid single insurance coverage through self-insurance to its employees. This employee benefit is expensed to the account titled "Employee Health Insurance".

It is recommended that the payroll clerk reflect the gross salary cost of the District's employees in an account titled "Salaries" and only coded employer provided employee benefits to suitably labeled accounts. We concur that cafeteria plans are a perk that is advantageous to the District

Madison Parish Hospital Service District
Tallulah, Louisiana

Cafeteria Benefits - Continued

as well as the employees and can be an attractive hiring tool in a rural market. We are only recommending that the coding be more reflective of the expenditure.

GASB 34 "New Financial Statement Reporting Model

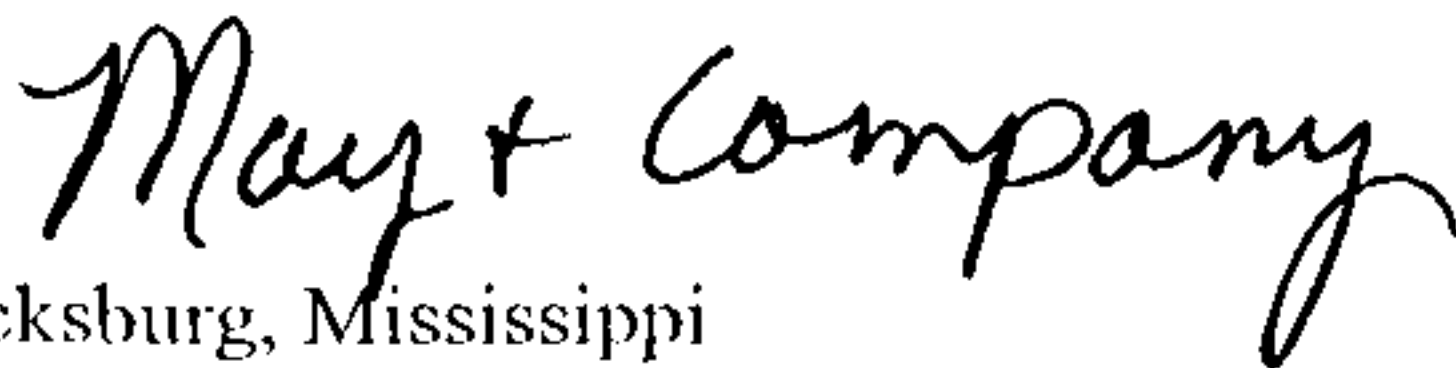
In June 1999, the GASB approved the issuance of the statement on the financial reporting model project. GASB Statement No. 34, *Basic Financial Statements -- and Management's Discussion and Analysis -- for State and Local Governments* makes dramatic changes to the way state and local governments report their finances to the public. Under the new financial reporting model, the general purpose financial statements and required supplementary information will include the following:

- Management's discussion and analysis (MD & A)
- Government wide financial statements
- Fund financial statements
- Notes to the financial statements
- Required supplementary information including budgetary comparison schedules, infrastructure condition data, and other data required by previous pronouncements, if applicable.

GASB No. 34 becomes effective in phases based on an organization's total revenues for years ended after June 15, 1999. Component units of a primary government (Madison Parish Police Jury) will be required to implement the new reporting requirements in the same year as the Madison Parish Police Jury regardless of their own revenues.

We felt that the District needed to be informed of the expected change in reporting their information to the State of Louisiana. We will review the Policy Jury's financial statements for the criteria and determine the District's implementation date. It is our preliminary projection that this statement will affect the District's December 31, 2003 year.

We will review the status of these communications during our next audit engagement. We have already discussed many of these comments and suggestions with various District's personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.



Vicksburg, Mississippi
May 2, 2001